

**JEFFERSON-SCRANTON
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2007 Election)

David Pedersen	President	2008
Teresa Hagen	Vice President	2009
Mike Holden		2009
Sam Harding		2008
LuAnn Carlson		2007

(After September, 2007 Election)

Teresa Hagen	President	2008
Mike Holden	Vice President	2009
David Pedersen		2009
Sam Harding		2008
Kevin Neal		2009

School Officials

Tim Christensen	Superintendent
Brenda Muir	District Secretary
Sid Jones	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Jefferson-Scranton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Jefferson-Scranton Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jefferson-Scranton Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 19, 2009 on our consideration of Jefferson-Scranton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson-Scranton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



BRUCE D. FRINK
Certified Public Accountant

March 19, 2009

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Jefferson-Scranton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$9,530,141 in fiscal year 2007 to \$10,120,838 in fiscal year 2008, while General Fund expenditures increased from \$9,832,511 in fiscal year 2007 to \$10,402,054 in fiscal year 2008.
- General Fund revenues increased in all areas. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The decrease in the undesignated unreserved General Fund balance is primarily attributable to inadequate funding increases necessary to keep up with increasing costs.
- The District continues its sharing arrangement with Paton-Churdan Community School District for grades 9-12 for a half-day or more of education - students from Paton-Churdan are transported to Jefferson-Scranton High School.
- The District expanded its 28E sharing agreement with East Greene Community School District for various high school courses.
- The District passed the School Infrastructure Local Option Sales Tax for Greene County. The tax was implemented July 1, 2004. Proceeds are being used for various projects throughout the District as well as property tax relief. This was extended by the voters through June 30, 2022. The District discontinued levying the Physical Plant and Equipment Levy property tax.
- Revenue Bonds were issued for the remodeling of elementary facilities. The student construction house was sold to the superintendent.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Jefferson-Scranton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Jefferson-Scranton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Jefferson-Scranton Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Jefferson-Scranton Community School District Annual Financial Report

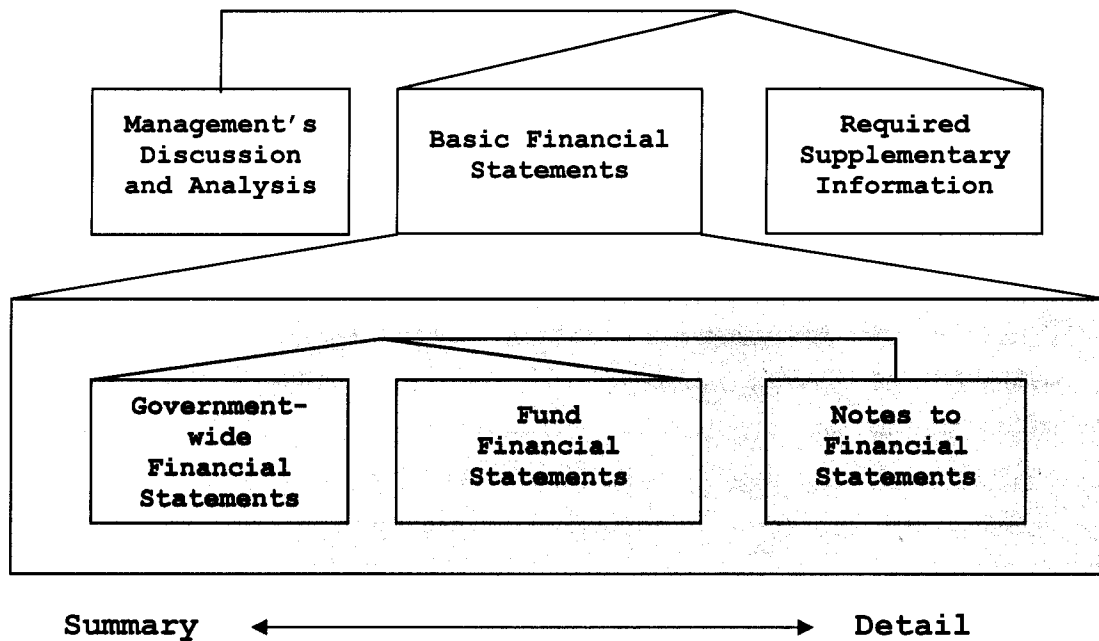


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Industrial Technology Construction Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, Changes in Net Assets and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for employee Flex spending in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 8,631	6,535	202	180	8,833	6,715	31.54%
Capital assets	7,867	6,218	35	44	7,902	6,262	26.19%
Total assets	16,498	12,753	237	224	16,735	12,977	28.96%
Current liabilities	6,871	5,814	1	-	6,872	5,814	18.20%
Non-current liabilities	4,137	1,503	-	-	4,137	1,503	175.25%
Total liabilities	11,008	7,317	1	-	11,009	7,317	50.46%
Net Assets							
Invested in capital assets, net of related debt	3,736	4,779	35	44	3,771	4,823	-21.81%
Restricted	1,443	176	-	-	1,443	176	719.89%
Unrestricted	311	481	201	180	512	661	-22.54%
Total net assets	\$ 5,490	5,436	236	224	5,726	5,660	1.17%

Unrestricted net assets decreased by over \$140,000, primarily as a result of inadequate funding. Restricted assets increased due to the issuance of revenue bonds that will be fully expended in FY09.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 863	738	480	531	1,343	1,269	5.83%
Operating grants, contributions and restricted interest	1,965	1,556	235	226	2,200	1,782	23.46%
General revenues:							
Property tax	3,813	3,841	-	-	3,813	3,841	-0.73%
Income surtax	320	273	-	-	320	273	17.22%
Local option sales tax	591	624	-	-	591	624	-5.29%
Unrestricted state grants	4,145	4,123	-	-	4,145	4,123	0.53%
Unrestricted investment earnings	88	24	-	-	88	24	266.67%
Other	15	39	-	-	15	39	61.54%
Total revenues	11,800	11,218	715	757	12,515	11,975	4.51%
Program expenses:							
Governmental activities:							
Instruction	7,100	6,719	-	-	7,100	6,719	5.67%
Support Services	3,361	3,289	-	-	3,361	3,289	2.19%
Non-instructional programs	13	10	703	717	716	727	-1.51%
Other expenses	1,304	860	-	-	1,304	860	51.63%
Total expenses	11,778	10,878	703	717	12,481	11,595	7.64%
Change in net assets	\$ 22	340	12	40	34	380	91.05%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$11,800,308 and expenses were \$11,778,209.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
		Change			Change	
	2008	2007	2007-08	2008	2007	2007-08
Instruction	\$ 7,100	6,719	5.67%	4,724	4,811	-1.81%
Support Services	3,361	3,289	2.19%	3,334	3,267	2.05%
Non-instructional programs	13	10	30.00%	13	10	30.00%
Other expenses	1,304	860	51.63%	879	496	77.22%
Totals	<u>\$ 11,778</u>	<u>10,878</u>	<u>8.27%</u>	<u>8,950</u>	<u>8,584</u>	<u>4.26%</u>

- The cost financed by users of the District's programs was \$863,037.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,152,020.
- The net cost of governmental activities was financed with \$3,813,644 in property tax, \$4,144,892 in state foundation aid, and \$88,113 in interest income.

Business Type Activities

Revenues of the District's business type activities were \$714,884 and expenses were \$703,170. The District's business type activities include the School Nutrition and Industrial Technology Construction Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted the Jefferson-Scranton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,507,149, 309% greater than last year's ending fund balances of \$488,276. This was primarily due to unspent proceeds from the issuance of revenue bonds. These funds will be spent in FY09.

Governmental Fund Highlights

- The District attempted to maintain its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items. However, property tax rollbacks plus inadequate state aid increasing caused the District's General Fund to decrease by over \$280,000.
- The collection of the local option sales tax has allowed the District to discontinue its Physical Plant and Equipment Levy property tax asking.
- The District closed the Scranton building in an effort to save costs.
- Sharing with neighboring high schools has brought in additional revenues.

Proprietary Fund Highlights

The District was able to sell another student built house. The Nutrition Fund has maintained a positive balance despite increases in food and salary costs. The District has attempted to maintain prices at a reasonable level.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service and Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$200,000 less than the total budgeted receipts. The most significant change resulted in the District receiving less in state and federal funding than originally anticipated.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2008, the District has invested more than \$7.8 million, net of accumulated depreciation, in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$410,000.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 70	70	-	-	70	70	0.00%
Land improvements	174	206	-	-	174	206	-15.53%
Buildings	4,784	4,964	-	-	4,784	4,964	-3.63%
Construction in progress	1,909	-	-	-	1,909	-	100.00%
Furniture and equipment	930	978	35	44	965	1,022	-5.58%
Totals	\$ 7,867	6,218	35	44	7,902	6,262	26.19%

Long - Term Debt

The \$2.2 million dollar general obligation bond issue will mature June 2010. The District issued \$3,195,000 of revenue bonds in 2007. The District's capital leases will be paid off over the next five years.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 800	1,170	-31.62%
Revenue bonds	3,195	-	100.00%
Leases and notes payable	136	269	-49.44%
Total	\$ 4,131	1,439	187.07%

ECONOMIC FACTORS BEARING ON THE DISTRICT' FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District is experiencing decreasing enrollment the past several years.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). A solution needs to be found.
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- Voters in Greene County approved a 1-cent School Infrastructure Local Option (SILO) Sales tax in September 2003. The Greene County SILO tax went into effect on July 1, 2004. This has allowed the District to decrease property tax asking.
- Increased course sharing with the East Greene Community School District at the high school level is providing additional income.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brenda Muir, District Secretary, Jefferson-Scranton Community School District, 204 W Madison St, Jefferson, IA 50129.

Basic Financial Statements

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,694,123	115,932	1,810,055
ISCAP investments	1,998,718	-	1,998,718
Receivables:			
Property tax:			
Current year	173,960	-	173,960
Succeeding year	4,266,295	-	4,266,295
Income surtaxes	254,882	-	254,882
Due from other governments	229,482	-	229,482
Other receivables	4,480	1,216	5,696
ISCAP accrued interest receivable	9,310	-	9,310
Inventories	-	84,286	84,286
Capital assets, net of accumulated depreciation	7,866,917	35,119	7,902,036
Total assets	16,498,167	236,553	16,734,720
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	398,597	401	398,998
Accrued salary and benefits	180,618	-	180,618
Accrued interest payable	2,354	-	2,354
ISCAP warrants payable	1,986,000	-	1,986,000
ISCAP accrued interest payable	37,709	-	37,709
Deferred revenue:			
Succeeding year property tax	4,266,295	-	4,266,295
Long term liabilities:			
Portion due within one year:			
General obligation bonds payable	400,000	-	400,000
Early retirement	5,597	-	5,597
Capital lease payable	135,905	-	135,905
Portion due after one year:			
General obligation bonds payable	400,000	-	400,000
Revenue bonds payable	3,195,000	-	3,195,000
Total liabilities	11,008,075	401	11,008,476
Net assets:			
Invested in capital assets, net of related debt	3,736,012	35,119	3,771,131
Restricted for:			
Management levy	23,131	-	23,131
Capital projects	1,380,750	-	1,380,750
Debt service	38,980	-	38,980
Unrestricted	311,219	201,033	512,252
Total net assets	\$ 5,490,092	236,152	5,726,244

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
Functions/Programs:				
Governmental activities:				
Instruction:	\$ 7,099,703	854,316	1,520,908	(4,724,479)
Support services:				
Student services	387,533	-	-	(387,533)
Instructional staff services	223,720	-	-	(223,720)
Administration services	1,186,558	-	-	(1,186,558)
Operation and maintenance of plant services	1,040,793	-	18,668	(1,022,125)
Transportation services	522,570	8,721	-	(513,849)
	3,361,174	8,721	18,668	(3,333,785)
Non-instructional programs				
Community service operations	10,000	-	-	(10,000)
Food service operations	2,970	-	-	(2,970)
	12,970	-	-	(12,970)
Other expenditures:				
Facilities acquisition and construction	492,577	-	62,168	(430,409)
Long-term debt interest	47,785	-	1,675	(46,110)
Long-term debt services	300	-	-	(300)
AEA flowthrough	361,752	-	361,752	-
Depreciation (unallocated)*	401,948	-	-	(401,948)
	1,304,362	-	425,595	(878,767)
Total governmental activities	11,778,209	863,037	1,965,171	(8,950,001)

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business Type activities:						
Non-instructional programs:						
Nutrition services	485,255	248,512	235,083	-	(1,660)	(1,660)
Community education	217,915	231,289	-	-	13,374	13,374
Total	\$ 12,481,379	1,342,838	2,200,254	(8,950,001)	11,714	(8,938,287)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,175,807	-	3,175,807
Management fund				225,031	-	225,031
Debt service				412,806	-	412,806
Income surtaxes				319,724	-	319,724
School infrastructure local option sales tax				591,062	-	591,062
Unrestricted state grants				4,144,892	-	4,144,892
Unrestricted investment earnings				88,113	-	88,113
Other				46,784	-	46,784
Total general revenues				9,004,219	-	9,004,219
Change in net assets				54,218	11,714	65,932
Net assets beginning of year				5,435,874	224,438	5,660,312
Net assets end of year				\$ 5,490,092	236,152	5,726,244

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets					
Cash and pooled investments	\$ -	33,142	1,368,719	292,262	1,694,123
ISCAP investments	1,998,718	-	-	-	1,998,718
Receivables:					
Property tax:					
Current year	164,679	5,838	-	3,443	173,960
Succeeding year	3,612,745	428,550	-	225,000	4,266,295
Income surtax - succeeding year	254,882	-	-	-	254,882
Due from other governments	-	-	229,482	-	229,482
Other receivables	-	-	-	4,480	4,480
Interfund receivable	-	-	179,702	-	179,702
ISCAP accrued interest receivable	9,310	-	-	-	9,310
Total assets	<u>\$ 6,040,334</u>	<u>467,530</u>	<u>1,777,903</u>	<u>525,185</u>	<u>8,810,952</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	-	397,153	1,444	398,597
Accrued salary and benefits	180,618	-	-	-	180,618
Interfund payable	179,702	-	-	-	179,702
ISCAP warrants payable	1,986,000	-	-	-	1,986,000
ISCAP accrued interest payable	37,709	-	-	-	37,709
Deferred revenue:					
Succeeding year property tax	3,612,745	428,550	-	225,000	4,266,295
Income surtax - succeeding year	254,882	-	-	-	254,882
Total liabilities	<u>6,251,656</u>	<u>428,550</u>	<u>397,153</u>	<u>226,444</u>	<u>7,303,803</u>
Fund balances:					
Reserved for debt service	-	38,980	-	-	38,980
Reserved for capital projects	-	-	1,380,750	-	1,380,750
Unreserved	(211,322)	-	-	298,741	87,419
Total fund balances	<u>(211,322)</u>	<u>38,980</u>	<u>1,380,750</u>	<u>298,741</u>	<u>1,507,149</u>
Total liabilities and fund balances	<u>\$ 6,040,334</u>	<u>467,530</u>	<u>1,777,903</u>	<u>525,185</u>	<u>8,810,952</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)	\$ 1,507,149
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	254,882
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,866,917
--	-----------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,354)
--	---------

Long-term liabilities, including bonds payable and capital loan notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	\$ (800,000)	
Revenue bonds	(3,195,000)	
Early retirement	(5,597)	
Capital leases payable	<u>(135,905)</u>	<u>(4,136,502)</u>

Net assets of governmental activities (Exhibit A)	<u>\$ 5,490,092</u>
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JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 3,476,991	412,809	591,062	225,031	4,705,893
Tuition	824,953	-	-	-	824,953
Other	160,724	1,385	62,168	400,100	624,377
State sources	5,226,852	290	-	204	5,227,346
Federal sources	431,318	-	-	-	431,318
Total revenues	<u>10,120,838</u>	<u>414,484</u>	<u>653,230</u>	<u>625,335</u>	<u>11,813,887</u>
Expenditures:					
Instruction	<u>6,729,088</u>	<u>-</u>	<u>-</u>	<u>489,828</u>	<u>7,218,916</u>
Support services:					
Student services	387,533	-	-	-	387,533
Instructional staff services	214,413	-	9,307	-	223,720
Administration services	1,217,249	-	3,710	5,917	1,226,876
Operation and maintenance of plant services	974,244	-	5,460	61,089	1,040,793
Transportation services	507,775	-	41,209	14,795	563,779
	<u>3,301,214</u>	<u>-</u>	<u>59,686</u>	<u>81,801</u>	<u>3,442,701</u>
Non-instructional programs:					
Community service operations	10,000	-	-	-	10,000
Food service operations	-	-	-	2,970	2,970
	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>2,970</u>	<u>12,970</u>
Other expenditures:					
Facilities acquisition and construction	-	-	2,401,121	-	2,401,121
Long-term debt:					
Principal	-	502,671	-	-	502,671
Interest	-	49,583	-	-	49,583
Services	-	300	-	-	300
AEA flowthrough	361,752	-	-	-	361,752
	<u>361,752</u>	<u>552,554</u>	<u>2,401,121</u>	<u>-</u>	<u>3,315,427</u>
Total expenditures	<u>10,402,054</u>	<u>552,554</u>	<u>2,460,807</u>	<u>574,599</u>	<u>13,990,014</u>

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non-major Special Revenue</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(281,216)</u>	<u>(138,070)</u>	<u>(1,807,577)</u>	<u>50,736</u>	<u>(2,176,127)</u>
Other financing sources (uses):					
Proceeds from revenue bonds	-	-	3,195,000	-	3,195,000
Operating transfers in	-	139,547	-	-	139,547
Operating transfers out	<u>-</u>	<u>-</u>	<u>(139,547)</u>	<u>-</u>	<u>(139,547)</u>
	<u>-</u>	<u>139,547</u>	<u>3,055,453</u>	<u>-</u>	<u>3,195,000</u>
Excess (deficiency) of revenues and other financial sources over (under) expenditures	(281,216)	1,477	1,247,876	50,736	1,018,873
Fund balances beginning of year	<u>69,894</u>	<u>37,503</u>	<u>132,874</u>	<u>248,005</u>	<u>488,276</u>
Fund balances end of year	<u>\$ (211,322)</u>	<u>38,980</u>	<u>1,380,750</u>	<u>298,741</u>	<u>1,507,149</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ 1,018,873

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 18,540

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 2,050,812	
Depreciation expense	<u>(401,948)</u>	1,648,864

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(3,195,000)	
Repayments	<u>502,671</u>	(2,692,329)

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(5,597)	
Payments	<u>64,069</u>	58,472

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,798

Change in net assets of governmental activities (Exhibit B) \$ 54,218

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Proprietary Funds

Year ended June 30, 2008

	School Nutrition	Industrial Technology Construction	Total
Assets			
Cash and pooled investments	\$ 19,499	96,433	115,932
Other receivables	1,216	-	1,216
Inventories	8,059	76,227	84,286
Capital assets, net of accumulated depreciation	<u>35,119</u>	<u>-</u>	<u>35,119</u>
Total assets	<u>63,893</u>	<u>172,660</u>	<u>236,553</u>
Liabilities			
Accounts payable	<u>401</u>	<u>-</u>	<u>401</u>
Net assets			
Invested in capital assets, net of related debt	35,119	-	35,119
Unrestricted	<u>28,373</u>	<u>172,660</u>	<u>201,033</u>
	<u>63,492</u>	<u>172,660</u>	<u>236,152</u>
Total net assets	<u>\$ 63,893</u>	<u>172,660</u>	<u>236,553</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2008

	<u>School Nutrition</u>	<u>Industrial Technology Construction</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 248,512	231,289	479,801
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	177,124	-	177,124
Benefits	27,874	-	27,874
Services	12,038	-	12,038
Supplies	257,941	-	257,941
Other	1,319	-	1,319
Depreciation	8,959	-	8,959
	<u>485,255</u>	<u>-</u>	<u>485,255</u>
Other enterprise operations:			
Other	-	217,915	217,915
	<u>-</u>	<u>217,915</u>	<u>217,915</u>
Total operating expenses	<u>485,255</u>	<u>217,915</u>	<u>703,170</u>
Operating income (loss)	<u>(236,743)</u>	<u>13,374</u>	<u>(223,369)</u>
Non-operating revenues:			
Interest on investments	361	-	361
State sources	5,707	-	5,707
Federal sources	229,015	-	229,015
	<u>235,083</u>	<u>-</u>	<u>235,083</u>
Change in net assets	(1,660)	13,374	11,714
Net assets beginning of year	<u>65,152</u>	<u>159,286</u>	<u>224,438</u>
Net assets end of year	<u>\$ 63,492</u>	<u>172,660</u>	<u>236,152</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2008

	School Nutrition	Industrial Technology Construction	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 247,495	231,289	478,784
Cash payments to employees for services	(204,998)	-	(204,998)
Cash payments to suppliers for goods or services	(241,559)	(199,415)	(440,974)
Net cash provided by (used in) operating activities	(199,062)	31,874	(167,188)
Cash flows from non-capital financing activities:			
State grants received	5,707	-	5,707
Federal grants received	198,600	-	198,600
Net cash provided by non-capital financing activities	204,307	-	204,307
Cash flows from investing activities:			
Interest on investments	361	-	361
Net increase (decrease) in cash and cash equivalents	5,606	31,874	37,480
Cash and cash equivalents beginning of year	13,893	64,559	78,452
Cash and cash equivalents end of year	\$ 19,499	96,433	115,932
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	\$ (236,743)	13,374	(223,369)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	8,959	-	8,959
Commodities used	30,415	-	30,415
(Increase) in other receivables	(1,017)	-	(1,017)
Decrease(increase) in inventory	(1,077)	18,500	17,423
Increase in accounts payable	401	-	401
	\$ (199,062)	31,874	(167,188)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$30,415.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2008

	Flex Spending Fund
	<u> </u>
Assets	
Cash	\$ 4,223
	<u> </u>
Total assets	<u>4,223</u>
Liabilities	
Other payables	<u>-</u>
	<u> </u>
Total liabilities	<u>-</u>
Net Assets	
Reserved for flex spending	<u>\$ 4,223</u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2008

	<u>Flex Spending Fund</u>
Additions:	
Local sources:	
Miscellaneous	\$ 57,090
Deductions:	
Regular instruction:	
Benefits	<u>57,420</u>
Change in net assets	(330)
Net assets beginning of year	<u>4,553</u>
Net assets end of year	<u><u>\$ 4,223</u></u>

See notes to financial statements.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Jefferson-Scranton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Jefferson and Scranton, Iowa, and agricultural territory in Greene County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Jefferson-Scranton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Jefferson-Scranton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Greene County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by tax and intergovernmental revenues are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Enterprise, School Nutrition and Industrial Technology Construction Funds. These funds are used to account for the food service and student built house.

C. Measurement Focus and Basis of Accounting

The government-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Interfund Receivable/Payable - The General Fund loaned \$179,702 to the Capital Projects to allow summer projects to be completed and paid for in a timely manner. The money will be repaid in the next fiscal year.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the instruction and non-instructional programs functions exceeded the amended amounts budgeted.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 69,762	-	-	69,762
Capital assets being depreciated:				
Improvements other than buildings	635,306	-	-	635,306
Buildings	9,256,627	-	-	9,256,627
Construction in progress	-	1,908,544	-	1,908,544
Furniture and Equipment	3,617,549	142,268	-	3,759,817
Total capital assets being depreciated	13,509,482	2,050,812	-	15,560,294
Less accumulated depreciation for:				
Improvements other than buildings	429,453	31,765	-	461,218
Buildings	4,292,586	179,677	-	4,472,263
Furniture and Equipment	2,639,152	190,506	-	2,829,658
Total accumulated depreciation	7,361,191	401,948	-	7,763,139
Total capital assets being depreciated, net	6,148,291	1,648,864	-	7,797,155
Governmental activities, capital assets, net	\$ 6,218,053	1,648,864	-	7,866,917

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities				
Furniture and Equipment	\$ 242,746	-	119,378	123,368
Less accumulated depreciation	<u>198,668</u>	<u>8,959</u>	<u>119,378</u>	<u>88,249</u>
Business type activities capital assets, net	<u>\$ 44,078</u>	<u>(8,959)</u>	<u>-</u>	<u>35,119</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated

\$ 401,948

Business type activities:

Food service operations

\$ 8,959

(4) Bonds Payable

Details of the District's June 30, 2008 bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of August 1, 1993			
	Rates	Interest	Principal	Total
2009	4.00 %	\$28,250	400,000	428,250
2010	4.00-4.125	<u>12,250</u>	<u>400,000</u>	<u>412,250</u>
Total		<u>\$40,500</u>	<u>800,000</u>	<u>840,500</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$398,557, \$363,653, and \$360,746 respectively, equal to the required contributions for each year.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$361,752 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2008 is as follows:

	Capital Lease Payable	General Obligation Bonds	Early Retirement	Revenue Bonds	Total
Balance beginning of year	\$268,576	1,170,000	64,069	-	1,502,645
Additions	-	-	5,597	3,195,000	3,200,597
Reductions	<u>132,671</u>	<u>370,000</u>	<u>64,069</u>	<u>-</u>	<u>566,740</u>
Balance end of year	<u>\$135,905</u>	<u>800,000</u>	<u>5,597</u>	<u>3,195,000</u>	<u>4,136,502</u>

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the unused personal illness days (90 day maximum) times the current substitute teacher pay rate. Early retirement benefits paid during the year ended June 30, 2008 totaled \$64,069.

(9) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08B	1/23/08	1/23/09	704,253	8,819	702,000	37,217
2008-09A	6/25/08	6/25/09	<u>1,294,465</u>	<u>491</u>	<u>1,284,000</u>	<u>492</u>
Total			<u>\$1,998,718</u>	<u>9,310</u>	<u>1,986,000</u>	<u>37,709</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2007-08A	\$ -	1,035,000	1,035,000	-
2007-08B	-	<u>650,000</u>	<u>650,000</u>	-
	<u>\$ -</u>	<u>1,685,000</u>	<u>1,685,000</u>	<u>-</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2007-08A	4.500%	5.455%
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(10) Risk Management

Jefferson-Scranton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Capital Leases

The District has a \$261,354 lease for the acquisition of computers that requires annual payments of \$65,339 that will be completed in fiscal year 2010.

The District has a lease for the purchase of school buses that requires three annual payments of \$74,477. The first payment was made in fiscal year 2007 and will be paid off in fiscal year 2009.

(12) Revenue Bonds

In November 2007, the District approved the sale of \$3,195,000 of School Infrastructure Sales and Services Tax Revenue Bonds. Proceeds will be used for additions and improvements to existing facilities. Principal and interest will be paid from proceeds of the one cent sales tax for schools.

Details of the District's June 30, 2008 revenue bonds are as follow:

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	-	-	140,368	140,368
2010	3.60 %	\$ 100,000	127,770	227,770
2011	3.65	180,000	122,685	302,685
2012	3.75	190,000	115,838	305,838
2013	3.85	200,000	108,425	308,425
2014	3.90	210,000	100,480	310,480
2015-2019	3.95-4.15	1,180,000	367,167	1,547,167
2020-2023	4.20-4.35	<u>1,135,000</u>	<u>100,265</u>	<u>1,235,265</u>
Total		<u>\$3,195,000</u>	<u>1,182,998</u>	<u>4,377,998</u>

The District has pledged future local option sales and services tax revenues to repay the \$3,195,000 bonds issued in December 2007. The bonds were issued for the purpose of financing a portion of the costs of remodeling. The bonds are payable solely from the proceeds of the local option sales and service tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50 percent of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$4,377,998. For the current year \$0 of principal and interest was paid on the bonds and total local option sales and services tax revenues were \$591,062.

(13) Commitments

The District is currently remodeling the elementary buildings. As of June 30, 2008 the following commitments had been made.

Total bids awarded	\$2,307,163
Total project completed	1,735,874
Total amounts paid to date	1,338,721
Total amount retained and payable	397,153
Balance to complete	535,583

Required Supplementary Information

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 6,155,223	480,162	6,635,385	6,582,871	6,582,871	52,514
State sources	5,227,346	5,707	5,233,053	5,413,266	5,413,266	(180,213)
Federal sources	431,318	229,015	660,333	733,000	733,000	(72,667)
Total revenues	<u>11,813,887</u>	<u>714,884</u>	<u>12,528,771</u>	<u>12,729,137</u>	<u>12,729,137</u>	<u>(200,366)</u>
Expenditures:						
Instruction	7,218,916	217,915	7,436,831	7,394,100	7,394,100	(42,731)
Support services	3,442,701	-	3,442,701	3,548,300	3,548,300	105,599
Non-instructional programs	12,970	485,255	498,225	490,300	490,300	(7,925)
Other expenditures	3,315,427	-	3,315,427	2,082,064	4,000,000	684,573
Total expenditures	<u>13,990,014</u>	<u>703,170</u>	<u>14,693,184</u>	<u>13,514,764</u>	<u>15,432,700</u>	<u>739,516</u>
Excess (deficiency) of revenues over (under) expenditures	(2,176,127)	11,714	(2,164,413)	(785,627)	(2,703,563)	539,150
Other financing sources (uses)	<u>3,195,000</u>	<u>-</u>	<u>3,195,000</u>	<u>1,000</u>	<u>-</u>	<u>3,195,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,018,873	11,714	1,030,587	(784,627)	(2,703,563)	3,734,150
Balance beginning of year	<u>488,276</u>	<u>224,438</u>	<u>712,714</u>	<u>1,219,506</u>	<u>1,284,993</u>	<u>572,279</u>
Balance end of year	<u>\$ 1,507,149</u>	<u>236,152</u>	<u>1,743,301</u>	<u>434,879</u>	<u>(1,418,570)</u>	<u>3,161,871</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$1,917,936

During the year ended June 30, 2008, expenditures exceeded the amended amounts budgeted in the instruction and non-instructional programs functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008

	<u>Management</u>	<u>Student Activity</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 26,729	265,533	292,262
Property tax receivable:			
Current year	3,443	-	3,443
Succeeding year	225,000	-	225,000
Other receivables	<u>-</u>	<u>4,480</u>	<u>4,480</u>
Total assets	<u>\$ 255,172</u>	<u>270,013</u>	<u>525,185</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,444	-	1,444
Deferred revenue:			
Succeeding year property tax	<u>225,000</u>	<u>-</u>	<u>225,000</u>
	<u>226,444</u>	<u>-</u>	<u>226,444</u>
Fund balance:			
Unreserved fund balances	<u>28,728</u>	<u>270,013</u>	<u>298,741</u>
Total liabilities and fund balances	<u>\$ 255,172</u>	<u>270,013</u>	<u>525,185</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2008

	<u>Management</u>	<u>Student Activity</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax	\$ 225,031	-	225,031
Other	18,464	381,636	400,100
State sources	204	-	204
Total revenues	<u>243,699</u>	<u>381,636</u>	<u>625,335</u>
Expenditures:			
Instruction	135,308	354,520	489,828
Support services:			
Administration services	5,917	-	5,917
Plant operation and maintenance	61,089	-	61,089
Student transportation	14,795	-	14,795
Non-instructional programs			
Food service operations	<u>2,970</u>	<u>-</u>	<u>2,970</u>
Total expenditures	<u>220,079</u>	<u>354,520</u>	<u>574,599</u>
Excess (deficiency) of revenues over (under) expenditures	23,620	27,116	50,736
Fund balances beginning of year	<u>5,108</u>	<u>242,897</u>	<u>248,005</u>
Fund balances end of year	<u>\$ 28,728</u>	<u>270,013</u>	<u>298,741</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Activities:				
Elementary Library	\$ 145	6,587	6,280	452
Elementary Student Fund	1,419	7,495	2,760	6,154
Elementary Playground	105	-	-	105
Elementary Field Trip	509	-	-	509
Elementary Instrumental Music	-	2,312	1,320	992
Fifth Grade Snack Shop	-	864	622	242
District Wide Nurse Emergency Fund	-	1,236	522	714
	<u>2,178</u>	<u>18,494</u>	<u>11,504</u>	<u>9,168</u>
Scranton Activities:				
Scranton Student Fund	3,577	-	3,577	-
Scranton Instrumental Music	876	-	876	-
Scranton Library	553	-	553	-
Scranton 5th Grade Snack Shop	78	-	78	-
Scranton Nurse Emergency Fund	926	-	926	-
	<u>6,010</u>	<u>-</u>	<u>6,010</u>	<u>-</u>
Middle School:				
Middle School Library	3	-	-	3
Middle School Music	(479)	9,001	8,022	500
Middle School Student Fund	5,035	41,285	35,674	10,646
Middle School Treat Cart	-	759	259	500
Middle School Yearbook	5,306	832	2,269	3,869
	<u>9,865</u>	<u>51,877</u>	<u>46,224</u>	<u>15,518</u>
Athletics:				
Baseball	1,288	10,747	10,081	1,954
Boys Basketball	6,286	4,043	5,463	4,866
Boys Golf	(1,023)	2,383	1,360	-
Boys Track	(1,030)	7,881	3,741	3,110
Cheerleaders	3,050	8,313	6,911	4,452
Cross Country	1,495	1,818	1,139	2,174
Football	15,886	43,826	37,108	22,604
Girls Basketball	3,467	12,284	9,853	5,898
Girls Golf	(23)	1,270	1,247	-
Girls Track	(1,413)	7,663	5,273	977
Miscellaneous Athletic Activity	(2,620)	13,578	10,958	-
Softball	194	7,648	7,798	44
Tournaments	(148)	4,783	4,311	324
Volleyball	736	8,300	8,725	311
Wrestling	1,805	8,877	10,682	-
	<u>27,950</u>	<u>143,414</u>	<u>124,650</u>	<u>46,714</u>
Athletic Fundraisers	<u>90,011</u>	<u>16,114</u>	<u>14,560</u>	<u>91,565</u>

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School Clubs/Organizations:				
Art Club	355	1,620	1,382	593
Business Professional of America	1,251	-	6	1,245
Drama	138	844	538	444
Fashion Club	960	2,907	2,756	1,111
FFA	4,076	16,482	17,915	2,643
French Club	4,399	3,972	6,075	2,296
FCCLA	(306)	1,595	1,239	50
Instrumental Music	1,659	31,612	32,320	951
International Club	444	-	-	444
Pre-school Home Economics	1,395	2,151	2,222	1,324
Ram Restaurant	7,315	18,153	22,615	2,853
Juvenile Court Program	254	-	111	143
Spanish	6,739	14,836	15,306	6,269
Speech	3,426	825	1,832	2,419
VICA Club	(3,073)	4,370	3,119	(1,822)
Debate Club	477	-	-	477
Vocal Music	732	3,452	2,166	2,018
Yearbook	(2,773)	3,026	3,501	(3,248)
Flags	965	208	513	660
Ram Trolley	4,243	497	650	4,090
	<u>32,676</u>	<u>106,550</u>	<u>114,266</u>	<u>24,960</u>
High School Activities:				
HSTW Literacy Committee	955	859	667	1,147
IJAG	-	-	666	(61)
Industrial Technology Donations	1,384	497	1,918	(37)
Industrial Students	(6,796)	11,688	12,713	(7,821)
Physics Club	124	-	-	124
High School Library Memorial	23	167	155	35
Senior High Student Council	2,395	7,785	6,085	4,095
National Honor Society	548	785	956	377
	<u>(1,367)</u>	<u>21,781</u>	<u>23,160</u>	<u>(2,141)</u>
Graduating Class:				
Class of 2007	21	-	21	-
Class of 2008	(228)	435	207	-
Class of 2009	724	4,873	4,898	699
Class of 2010	(30)	1,343	8	1,305
	<u>487</u>	<u>6,651</u>	<u>5,134</u>	<u>2,004</u>
Miscellaneous Funds	<u>3,299</u>	<u>2,372</u>	<u>1,235</u>	<u>4,436</u>

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Concessions:				
Elementary Concession	1,278	477	202	1,553
Scranton Concession	(16)	16	-	-
Middle School Concession	388	1,202	1,101	489
High School Concession	344	3,415	3,107	652
	<u>1,994</u>	<u>5,110</u>	<u>4,410</u>	<u>2,694</u>
Interest Income	<u>69,795</u>	<u>8,667</u>	<u>3,367</u>	<u>75,095</u>
Totals	<u>\$ 242,898</u>	<u>381,030</u>	<u>354,520</u>	<u>270,013</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2007	2006	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 4,705,893	4,737,618	4,571,222	4,369,020	4,207,481
Tuition	824,953	698,915	656,603	702,194	728,523
Other	624,377	487,481	521,277	470,621	463,421
State sources	5,227,346	5,001,267	4,967,550	4,920,787	4,601,164
Federal sources	431,318	292,548	369,102	430,901	421,010
Total	<u>\$ 11,813,887</u>	<u>11,217,829</u>	<u>11,085,754</u>	<u>10,893,523</u>	<u>10,421,599</u>
Expenditures:					
Instruction	\$ 7,218,916	6,848,967	6,904,128	6,645,489	6,628,501
Support services:					
Student	387,533	369,226	356,926	368,797	431,009
Instructional staff	223,720	158,277	167,782	549,337	475,930
Administration	1,226,876	1,149,767	1,111,324	775,419	738,984
Operation and maintenance of plant	1,040,793	1,113,984	1,082,224	983,789	925,616
Transportation	563,779	707,326	545,068	419,212	400,942
Non-instructional programs	12,970	10,000	10,250	10,707	10,000
Other expenditures:					
Facilities acquisition	2,401,121	436,953	291,613	345,363	213,019
Debt service:					
Principal	502,671	513,030	452,526	408,113	410,538
Interest and services	49,883	61,916	68,985	80,526	89,723
AEA flowthrough	361,752	353,856	344,408	343,759	347,828
Total	<u>\$ 13,990,014</u>	<u>11,723,302</u>	<u>11,335,234</u>	<u>10,930,511</u>	<u>10,672,090</u>

See accompanying independent auditor's report.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY08	\$ 39,306
Food Distribution (non-cash)	10.555	FY08	30,415
National School Lunch Program	10.555	FY08	<u>159,097</u>
			<u>228,818</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	3195-G-08	190,032
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY08	4,479
Innovative Education Program Strategies	84.298	FY08	1,896
Grants for Assessments and Related Activities	84.369	FY08	7,700
Improving Teacher Quality - States Grants	84.367	FY08	46,686
Vocational Education - Basic Grants to States	84.048	FY08	18,757
Comprehensive School Reform - High Schools That Work	84.332	FY08	50,000
Prairie Lakes Area Education Agency 8			
Special Education - Grants to States (IDEA Part B)	84.027	FY08	<u>54,405</u>
Total			<u>\$ 602,773</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards included the federal grant activity of Jefferson-Scranton Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Jefferson-Scranton Community School District:

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Jefferson-Scranton Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 19, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Jefferson-Scranton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jefferson-Scranton Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Jefferson-Scranton Community School District's financial statements that is more than inconsequential will not be prevented or detected by Jefferson-Scranton Community School District's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Jefferson-Scranton Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, item 08-II-A, is a material weakness.

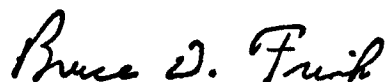
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson-Scranton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson-Scranton Community School District and other parties to whom Jefferson-Scranton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Jefferson-Scranton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 19, 2009

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Jefferson-Scranton Community School District:

Compliance

We have audited the compliance of Jefferson-Scranton Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Jefferson-Scranton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Jefferson-Scranton Community School District's management. Our responsibility is to express an opinion on Jefferson-Scranton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson-Scranton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson-Scranton Community School District's compliance with those requirements.

In our opinion Jefferson-Scranton Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of Jefferson-Scranton Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Jefferson-Scranton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over compliance.

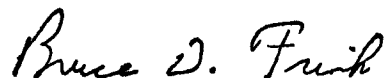
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-III-A to be material weakness.

Jefferson-Scranton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Jefferson-Scranton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson-Scranton Community School District and other parties to whom Jefferson-Scranton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 19, 2009

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Education AgenciesSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jefferson-Scranton Community School District did not qualify as a low-risk auditee.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-II-A Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part III: Findings for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number: 84.101 Title I Grants to Local Education Agencies

Agency Number: 6219-G-08

Federal Award Year: 2008

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program

10.555 National School Lunch Program

Federal Award Year: 2008

US Department of Agriculture

Passed through Iowa Department of Education

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings for Federal Awards:

(continued)

08-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

08-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - Expenditures for the year ended June 30, 2008, exceeded the amended certified budget amount in the instruction and non-instructional programs functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

08-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-IV-F Business Transactions - No business transactions between the District and District officials or employees were noted.

08-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

(continued):

- 08-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 08-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 08-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 08-IV-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.